

Message Text

UNCLASSIFIED

PAGE 01 EC BRU 03093 01 OF 02 291958Z
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UNCLAS SECTION 1 OF 2 EC BRUSSELS 3093

PASS AGRICULTURE ELECTRONICALLY

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SUBJECT: EC COUNCIL OF AGRICULTURAL MINISTERS MEETING MARCH25-29

REF: A) EC BRUSSELS 2571, B) EC BRUSSELS 2135, C) EC BRUSSELS 1516,
D) EC BRUSSELS 1437

1. BEGIN SUMMARY. DESPITE FOUR DAYS AND NIGHTS OF MEETINGS, THE COUNCIL OF AGRICULTURAL MINISTERS WAS UNABLE TO REACH AGREEMENT ON THE 1977/78 PRICE PACKAGE. IN THE END ALL MEMBER STATES, EXCEPT FOR THE UK, HAD ACCEPTED A COMMISSION COMPROMISE PROPOSAL DEVELOPED NEAR THE END OF THE MEETING. THE UK CONTINUED TO HOLD OUT FOR A HIGHER CONSUMER SUBSIDY FOR BUTTER AND/OR SMALLER INCREASES IN UK PRICES. THE MAJOR COMPONENTS OF THE COMMISSION COMPROMISE WERE: AN OVERALL 3.5 PERCENT INCREASE IN FARM PRICES (INCLUDING A 3.5 PERCENT INCREASE IN THE MILK PRICE), A 30 UA CONSUMER BUTTER SUBSIDY FULLY FINANCED BY FEOGA, SMALLER ADJUSTMENTS IN MONETARY COMPENSATORY AMOUNTS (MCAS) FOR THE UK, THE BENELUX COUNTRIES AND GERMANY THAN ORIGINALLY PROPOSED, AND A CO-RESPONSIBILITY TAX OF UNCLASSIFIED

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PAGE 02 EC BRU 03093 01 OF 02 291958Z

1.5 PERCENT. THE COMPROMISE ALSO WOULD REDUCE THE PROPOSED TAX ON ISOGLUCOSE PRODUCTION, RESTORE THE B QUOTA FOR SUGAR TO 135 PERCENT, AND REDUCE ITALIAN IMPORT LEVIES ON CORN BY 3 UA/MT. THE COMMISSION ESTIMATES THAT THE MODIFICATIONS IN ITS ORIGINAL PROPOSAL WOULD ADD NEARLY 240 MILLION UNITS OF ACCOUNT TO THE 1977 EC BUDGET. PROPOSALS FOR A VEGETABLE OIL TAX AND FOR EXCLUSIVE USE OF DAIRY FATS AND PROTEINS WERE DROPPED FROM THE COMMISSION'S

PACKAGE. THE COUNCIL DID AGREE TO DEVALUE THE IRISH, FRENCH AND ITALIAN GREEN RATES EFFECTIVE APRIL 1. THEY ALSO EXTENDED THE MILK AND BEEF MARKETING YEARS TO MAY 1. THE AGRICULTURAL MINISTERS ALSO FAILED TO REACH AGREEMENT ON AN INTERIM INTERNAL REGIME FOR FISH (SEPTER). THE NEXT MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS IS SCHEDULED FOR APRIL 25-26. END SUMMARY.

2. THE COUNCIL MEETING, WHICH BEGAN THE MORNING OF MARCH 25, WAS A SLOW-STARTER. A SERIES OF BILATERALS BETWEEN COUNCIL PRESIDENT SILKIN (UK) AND THE VARIOUS MEMBER STATE MINISTERS, CONSUMED MUCH OF FRIDAY AND SATURDAY. AT THE CONCLUSION OF THESE BILATERALS, SILKIN PRODUCED A "PRESIDENTIAL COMPROMISE PROPOSAL" WHICH WAS WIDELY CRITICIZED BY THE PRESS AND THE REPRESENTATIVES OF THE OTHER MEMBER STATES AS BEING "COVERED WITH UNION JACKS". THIS COMPROMISE PROPOSAL PROVIDED FOR A 2 PERCENT INCREASE IN MILK PRICES AS OF APRIL 1, NO CO-RESPONSIBILITY LEVY, A REDUCTION OF UK MCAS BY ONLY 2.5 PERCENTAGE POINTS AND LARGE CONSUMER SUBSIDIES FOR BUTTER (REPORTEDLY ABOUT 75 UA/100KG.). A "CORRECTIVE" WOULD HAVE BEEN APPLIED TO MILK PRICES IN THE BENLUX IN ORDER TO PERMIT A 4 PERCENT INCREASE IN THOSE COUNTRIES. THE SILKIN COMPROMISE WAS REJECTED BY THE MEMBER STATES. NEITHER THE PROPOSED VEGETABLE OIL TAX NOR THE COMMISSION PROPOSAL FOR A REGULATION GOVERNING EXCLUSIVE USE OF DAIRY FATS AND PROTEINS WAS INCLUDED IN THE SILKIN PROPOSAL. THEREAFTER, THESE TWO ITEMS QUIETLY DROPPED FROM THE COUNCIL DELIBERATIONS. HOWEVER, DISCUSSION OF THE EXCLUSIVE USE PROPOSAL IS EXPECTED TO BE TAKEN UP AT LATER COUNCIL MEETINGS.

3. DISCUSSIONS CONTINUED THROUGH SUNDAY AND MONDAY. THE COMMISSION UNCLASSIFIED

UNCLASSIFIED

PAGE 03 EC BRU 03093 01 OF 02 291958Z

THEN PRODUCED A FINAL COMPROMISE PROPOSAL LATE MONDAY NIGHT. WHEREAS IN THE EARLY STAGES OF THE DISCUSSIONS THE MAIN CONCERN WAS WHETHER THE LEVEL OF PRICE INCREASES, ESPECIALLY FOR MILK, WOULD BE HIGH ENOUGH TO SATISFY THE BENELUX COUNTRIES, AND IN PARTICULAR THE BELGIANS, IT SOON BECAME APPARENT THAT THE UK WAS THE MAJOR OBSTACLE TO AGREEMENT. IN THE END, ALL THE MEMBER STATES, EXCEPT THE UK, WERE WILLING TO ACCEPT THE COMMISSION COMPROMISE. THE UK CONTINUED TO HOLD OUT FOR HIGHER CONSUMER SUBSIDIES FOR BUTTER AND/OR SMALLER PRICE INCREASES FOR THE UK. EVEN WITHOUT PRICE INCREASES OR GREEN RATE ADJUSTMENTS, THE UK FACES SUBSTANTIAL INCREASES IN MOST FARM PRICES AS A RESULT OF ITS ALIGNMENT WITH EC PRICES--DUE TO BE COMPLETED 1 JAN 78. AFTER AN ALL NIGHT SESSION, THE MINISTERS FINALLY ABANDONED THEIR EFFORTS TO REACH AGREEMENT AT 11 O'CLOCK TUESDAY MORNING.

4. AT THE CONCLUSION OF THE MEETING, ALL OF THE MEMBER STATES, EXCEPT FOR THE UK, PLEDGED TO SUPPORT THE COMMISSION'S PROPOSAL AS IT STANDS AT THE NEXT COUNCIL MEETING. THE UK, ON THE OTHER HAND, DID NOT GUARANTEE THAT, EVEN IF ITS PROBLEMS RE CONSUMER SUBSIDIES

FOR BUTTER AND MCA ADJUSTMENTS WERE RESOLVED, IT WOULD NOT HAVE RESERVATIONS CONCERNING THE REST OF THE PACKAGE. HAVING FAILED IN ITS ATTEMPT TO MEET THE APRIL 1 DEADLINE, THE COUNCIL EXTENDED THE MILK AND BEEF MARKETING YEARS FROM APRIL 1 TO MAY 1. THE COUNCIL ALSO DECIDED ON A REDUCTION IN IRISH, FRENCH AND ITALIAN MCAS OF 7, 3 AND 8 PERCENT, RESPECTIVELY, EFFECTIVE APRIL 1. THIS WILL GIVE FARMERS IN THOSE COUNTRIES AN IMMEDIATE BOOST IN PRICES.

5. THE UK ROLE IN THE COUNCIL DISCUSSIONS WAS WIDELY AND BITTERLY CRITICIZED BY THE PRESS AND REPRESENTATIVES OF THE OTHER MEMBER STATES. WHILE THE MAIN OBJECT OF THE CRITICISM WAS, OF COURSE, THE UK'S STUBBORNNESS IN REJECTING A PACKAGE THAT OTHER MEMBER STATES FELT WAS ALREADY TOO FAVORABLE TO UK INTERESTS, THE UK PRESIDENCY ALSO CAME UNDER FIRE FOR ITS LACK OF PREPARATION (SILKIN'S FAILURE TO MAKE THE TRADITIONAL TOUR OF CAPITALS), AND THE WEAKNESS OF THE PRESIDENTIAL COMPROMISE PROPOSAL.

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PAGE 01 EC BRU 03093 02 OF 02 292007Z
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UNCLAS SECTION 2 OF 2 EC BRUSSELS 3093

PASS AGRICULTURE ELECTRONICALLY

6 THE MAIN FEATURES OF THE COMMISSION'S COMPROMISE PROPOSAL ARE OUTLINED BELOW. IN VIEW OF THE COMMITMENT TO SUPPORT THIS COMPROMISE BY EIGHT MEMBER STATES, MOST OF THESE FEATURES ARE LIKELY TO REMAIN IN THE FINAL AGREEMENT REACHED ON EC PRICES. DETAIL ON THE COMMISSION'S ORIGINAL PRICE PACKAGE PROPOSALS WAS PROVIDED BY REFTELS B, C AND D.

A) PRICES - FOR NEARLY ALL PRODUCTS AN ADDITIONAL INCREASE OF 0.5 PERCENT WAS PROPOSED, RAISING THE OVERALL INCREASE FROM 3 TO 3.5

PERCENT. AN ADDITIONAL INCREASE OF 1 PERCENT IS PROPOSED FOR THE WHEAT TARGET PRICE, THE TARGET AND INTERVENTION PRICES FOR RYE, AND THE BASE PRICE FOR PORK. AN INCREASE OF 3.5 PERCENT IN THE MILK PRICE EFFECTIVE 1 APRIL 77 IS PROPOSED WITH A 1.5 PERCENT CO-RESPONSIBILITY LEVY EFFECTIVE 16 SEP 77. (THE COMMISSION ORIGINALLY PROPOSED A 3 PERCENT INCREASE IN MILK PRICES ALONG WITH A 2.5 PERCENT CO-RESPONSIBILITY LEVY, BOTH EFFECTIVE 16 SEPT.)

B) PROPOSED REDUCTIONS IN MCAS ARE AS FOLLOWS (ORIGINAL COMMISSION PROPOSALS IN PARENTHESES);
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PAGE 02 EC BRU 03093 02 OF 02 292007Z

GERMANY 1.8 (2.75)

BENELUX 0 (0.4)

IRELAND 7 (3)

FRANCE 3 (3)3

ITALY 8 (3)3

UK 4 (8)

WITH RESPECT TO MILK PRODUCTS, IT IS PROPOSED THAT ADJUSTMENT IN THE UK MCA BE EFFECTED IN TWO EQUAL PHASES, THE FIRST ON 16 SEP 77 AND THE SECOND ON 1 APR 78.

C) RE CONSUMER SUBSIDIES FOR BUTTER, THE COMPROMISE PROPOSAL WAS MUCH MORE ATTRACTIVE FOR THE UK THAN THE ORIGINAL PROPOSAL. THE COMMISSION PROPOSED PAYMENT OF A SUBSIDY OF 30 UA/100 KG FROM 1 APR 77 THROUGH THE END OF THE YEAR AND 25 UA/100 KG FROM 1 JAN TO 31 MAR 78. THESE SUBSIDIES WOULD BE FINANCED 100 PERCENT BY FEOGA. A MAXIMUM SUBSIDY OF 50 UA/100 KG WOULD BE PERMITTED; HOWEVER, FEOGA WOULD FINANCE ONLY 25 PERCENT OF THE AMOUNTS IN EXCESS OF THOSE MENTIONED ABOVE. THE COMMISSION ALSO MADE MENTION OF UNSPECIFIED MEASURES TO BE INTRODUCED IN SEPT 77 TO INCREASE BUTTER CONSUMPTION. THESE MEASURES WOULD BE CONSIDERED A REPLACEMENT FOR THE PROPOSED FATS AND OILS TAX.

D) GRAINS - THE COMMISSION HAS UNDERTAKEN A NUMBER OF COMMITMENTS ENSURING THAT THE REFERENCE PRICE FOR SOFT WHEAT OF MILLING QUALITY WILL ACT VERY MUCH LIKE AN OBLIGATORY INTERVENTION PRICE. A NUMBER OF MEASURES WERE PROPOSED OF SPECIAL INTEREST TO ITALY: AN INCREASE IN THE PROPOSED PRODUCER SUBSIDY FOR DURUM FROM 50 TO 60 UA/HA. AND AN EXTENSION OF THE REGIONS COVERED, TRANSFER OF AN ADDITIONAL 200,000 TONS OF WHEAT FROM GERMAN TO ITALIAN INTERVENTION STOCKS, REDUCTION OF 3 UA/MT IN THE LEVY APPLIED TO ITALIAN IMPORTS OF CORN.

E) SUGAR - THE COMMISSION RETRACTED ITS PROPOSAL FOR A REDUCTION IN THE B QUOTA FOR SUGAR FROM 135 TO 125 PERCENT OF THE BASIC QUOTA. WITH RESPECT TO ISOGLUCOSE, THE COMMISSION NOW PROPOSES A MAXIMUM
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 EC BRU 03093 02 OF 02 292007Z

PRODUCER TAX OF 5 UA/100 KG. THEIR ORIGINAL PROPOSAL WOULD HAVE INVOLVED IMPOSITION OF A TAX ESTIMATED AT ABOUT 10 UA/100 KG

F) THE VARIABLE PREMIUM FOR SLAUGHTER CATTLE (WHICH BENEFITS THE UK) WOULD CONTINUE THROUGH THE 1977/78 MARKETING YEARS. THE CALF PREMIUM (WHICH BENEFITS ITALY) WOULD ALSO BE CONTINUED.

G) NON-MARKETING AND CONVERSION PREMIUMS FOR DAIRY CATTLE WOULD BE FINANCED 100 PERCENT BY FEOGA INSTEAD OF 80 PERCENT AS ORIGINALLY PROPOSED.

H) PROPOSED INCREASES IN MARKETING PREMIUMS FOR LEMONS WERE UPPED FROM 2.5 TO 5 PERCENT WHILE THOSE FOR ORANGES, MANDARINS, AND CLEMENTINES WENT FROM 2 TO 3 PERCENT. THE REFERENCE PRICE FOR LEMONS WOULD REMAIN UNCHANGED.

6. IN ATTEMPTING TO OBTAIN UK AGREEMENT ON THE PACKAGE, THE COMMISSION REPORTEDLY AGREED TO PAY THE 30 UA/100 KG BUTTER SUBSIDY THROUGHOUT THE 1977/78 MARKETING YEAR AND TO PHASE IN THE ADAPTATION OF UK MCAS IN TWO STAGES FOR ALL PRODUCTS (NOT JUST MILK). HOWEVER, THESE IMPROVEMENTS WERE NOT CONSIDERED TO BE SUFFICIENT BY THE UK.

7. THE COMMISSION ESTIMATED THAT THE MODIFICATIONS TO ITS ORIGINAL PROPOSAL WOULD ADD NEARLY 240 MILLION UNITS OF ACCOUNT TO THE 1976 BUDGET. ON A 12 MONTHS BASIS IT CALCULATED THE COST OF THESE MODIFICATIONS AT 665 MILLION UNITS OF ACCOUNT.

8. THE NEXT MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS IS SCHEDULED TO BE HELD ON APRIL 25-26. THE COMMISSION AND THE OTHER 8 MEMBER STATES ARE HOPEFUL THAT THE BRITISH WILL BE MORE AMENABLE TO COMPROMISE AT THAT TIME. THE TIMING OF THE JUST ENDED MEETING WAS PARTICULARLY BAD AS THE UK GOVERNMENT IS SCHEDULED TO PRESENT ITS BUDGET THIS WEEK. HINTON

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Message Attributes

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